

## Message Text

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17

ACTION ABF-01

INFO OCT-01 EA-07 ISO-00 EB-07 IO-13 SS-15 L-03 TRSE-00

CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00 INR-07 NSAE-00

CIEP-01 FAA-00 SIG-01 /058 W  
----- 074594

R 120705Z NOV 76

FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 2670  
AMEMBASSY TOKYO  
CINCPAC

LIMITED OFFICIAL USE MANILA 17649

E.O. 11652: NA

TAGS: AGAO, EAIR, RP

SUBJECT: GAO REVIEW: USG ASSISTANCE TO U.S. INTERNATIONAL  
AIRLINES.

REF: STATE 229505, MANILA 17270

1. EMBASSY TOKYO: PLEASE PASS TO GAO AUDITORS JERRY SKELLY AND  
WILLIAM PETERSON FOLLOWING INFORMATION WHICH THEY HAVE REQUESTED.

2. SGV (PAL ACCOUNTANTS) HAS INFORMED US THAT PAL ENJOYS  
OLD CONGRESSIONAL AUTHORITY UNDER WHICH PAL PAYS A FLAT  
TWO PERCENT FRANCHISE TAX ON ALL GROSS RECEIPT "IN LIEU OF  
OTHER TAXES." LATTER PROVISIONS MEANS THAT PAL DOES NOT  
RPT NOT PAY TWO PERCENT COMMON CARRIER TAX.

3. SGV DECLINED TO REVEAL ANY INFORMATION ON INTEREST-FREE  
LOAN WHICH IS LISTED ON PAGE 30 OF PAL 1795 ANNUAL REPORT.  
CLIENT CLAIMS CONFIDENTIALITY OF INFORMATION.

4. SGV STATES THAT PAL RECEIVES NO SUBSIDY FROM THE GOP.

5. GOP IS NOW CONSIDERING REMOVING THE INEQUITIES OF  
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PREVIOUS CONGRESSIONAL AUTHORIZATIONS WHICH HAVE RESULTED

IN SOME COMPANIES PAYING ONLY A SMALL FRANCHISE TAX (SUCH AS PAL) AND OTHERS (THOSE NOT ENJOYING EXCLUSION PROVISION) PAYING ALL OTHER TAXES PLUS FRANCHISE TAX. GOP PLANS TO APPLY EQUAL OR UNIFORM TREATMENT TO ALL FRANCHISE HOLDERS, AND ONE PROPOSAL CALLS FOR 5 PERCENT FRANCHISE TAX AND 10 PERCENT INCOME TAX.

6. REGARDING TWO AND A HALF PERCENT TAX ON GROSS BILLINGS OF INTERNATIONAL CARRIERS, U.S. AIR CARRIERS OPPOSED PROVISION IN DRAFT RP/US TAX CONVENTION WHICH WOULD HAVE FIXED RATE AT ONE AND ONE HALF PERCENT OF MNN RATE. THIS WOULD HAVE BEEN CONSISTENT WITH OTHER RP TAX TREATIES. AS A RESULT OF THIS OPPOSITION, AGREEMENT COULD NOT BE REACHED ON A SPECIFIC RATE, AND THE CONVENTION AS SIGNED PROVIDES THAT DOMESTIC LAW SHALL APPLY, WHICH HAS THE EFFECT OF MAINTAINING THE TWO AND A HALF PERCENT RATE. RP/US TAX CONVENTION DOES PROVIDE THAT ONE AND HALF PERCENT RATE APPLIES TO SHIPPING COMPANIES.  
SULLIVAN

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CIVIL AVIATION, AUDITS, AIRLINES, TAX AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 12 NOV 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976MANILA17649  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760421-1127  
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**Office:** ACTION ABF  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 229505, 76 MANILA 17270  
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**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 27 MAY 2004  
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**Review Transfer Date:**  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GAO REVIEW: USG ASSISTANCE TO U.S. INTERNATIONAL AIRLINES.  
**TAGS:** AGAO, EAIR, RP, US, GAO, US INTL AIRLINES  
**To:** STATE TOKYO  
**Type:** TE  
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